

# Training for Excellence

## Expanding Your Level of Cooperative Governance

*What is it that makes a board member great? The answer lies within your ability to govern yourself, others, and your cooperative. The following article describes these levels of governance and how they fit within a director training program.*

**Dr. John Park**

*Roy B. Davis Professor of Agricultural Cooperation*

**G**overnance of a cooperative is often described by the actions and decisions of a board of directors in an effort to position the company for sustained growth and profitability. However, this one aspect is insufficient to fully describe the influence a director exerts to achieve this result. This influence, to varying degrees, might also be considered governance.

In the course of governance, a highly effective director is one who is able to properly influence not only the actions of the cooperative, but also those of other directors, members, and even themselves.

Did you ever blow a soap bubble? The largest bubbles don't just form — they expand as the result of a gentle and steady force. Blow too hard, and the bubble pops before it ever has a chance to form. Blow too soft, and nothing happens at all.

Governance is the same way. Your ability to influence the cooperative starts small before it can expand into something grand. I believe there are three distinct levels of influence you have as a board member over the success of your cooperative, and the first requires some introspection.

### **Level 1: The Individual**

Level 1 Governance represents the proper alignment of an individual with the role of a director (hire a manager, set policy, determine strategy, and generally act in the best interest of the cooperative). To be an effective director, you must first understand your role, duties, and obligations. Training topics that focus on Level 1 Governance

might include acting only within your elected role, confidentiality, elections, succession planning, and business ethics. Level 1 Governance is an absolute necessary focus of an effective board.

### **Level 2: The Board**

Level 2 Governance expands the influence of the director to other members of the board and the membership of the cooperative. Board decisions are not made by individuals. They require the collective and unified action of many leaders, each with unique talents and perspectives. Thus, the

effectiveness of a board member is dependent on social interactions. Training topics that focus on Level 2 Governance might include conducting meetings, developing agendas, dealing with other personality types, diversity, leadership, and conflict resolution. Level 2 Governance enables smooth functioning and decision-making.



### **Level 3: The Cooperative**

Level 3 Governance represents the director's ability to lead the cooperative to a desirable competitive state. It represents the ability to make decisions that result in greater profitability and whatever is best for the cooperative and its members. This may be the primary focus of most board meetings. Training topics that focus on Level 3 Governance might include industry trends, marketing, strategy, planning, project feasibility, equity structure, distribution of benefits, finance, taxes, and operational oversight. Level 3 Governance ensures the continued operation of the cooperative as a valuable asset.

## Training at All Levels

It can be tempting to orient a new director by jumping straight to Level 3 Governance. After all, this is where we see the benefits of cooperation. This is where we can highlight the strategy and decisions that have resulted in our success. However, the ability of a board to lead the cooperative to greater profitability (Level 3 Governance) is limited by its ability to take collective action (Level 2 Governance), which is further limited by each director's understanding of their role and commitment to exemplary business standards (Level 1 Governance). It is vital for an effective board to continually train (and especially orient new directors) on all levels.

## Questions for Discussion

1. Does your board have difficulties with decision-making and discussion that could be improved with a greater understanding of one another's personalities and perspectives?
2. Does your orientation for new directors include all levels of governance?
3. How often are board training needs discussed or planned for in board meetings?
4. Would board succession be improved if all members of your cooperative had an understanding of Level 1 Governance?

## LEVELS OF COOPERATIVE GOVERNANCE

LEVEL OF GOVERNANCE	OBJECTIVE	PRIMARY METHOD	TRAINING TOPICS
1. INDIVIDUAL	Develop personal responsibility	Self awareness	Roles of directors Board liability Confidentiality Ethics Representation Succession Elections
2. BOARD	Enable members to take collective action	Social interaction	Personality types Generations Diversity Leadership Conflict resolution Teamwork Communication Rules of Order
3. COOPERATIVE	Guide the cooperative to sustained competitive advantages and increased profitability	Decision making	Strategy Competition Planning Finance Marketing Industry trends Feasibility Technology Equity structure Taxes Operations

## ABOUT

**The Texas A&M AgriLife Extension Service** provides equal access in its programs, activities, education and employment, without regard to race, color, sex, religion, national origin, disability, age, genetic information, veteran status, sexual orientation or gender identity.

**Cooperative Management Letter** is funded through the Roy B. Davis Professorship in Agricultural Cooperation at Texas A&M University. ©2018





**Dr. John Park** is a professional educator whose experience in agribusiness marketing and management supports the needs of the modern agricultural

cooperative. As a professor and extension specialist at Texas A&M University, Dr. Park is committed to helping businesses make better decisions and achieve competitive advantages.

Dr. Park's thoughtful and creative application of his expertise has provided fresh, stimulating educational programming that is greatly appreciated by his clientele and students alike. Whether in the classroom or the boardroom, he is a dedicated teacher who is committed to the success of those he serves.

## CONTACT

 Dr. John Park  
Dept. of Agricultural Economics  
Texas A&M University  
2124 TAMU  
College Station, TX 77843-2124

 (979) 854-8982 (office)  
(979) 571-5784 (cell)

 john.park@tamu.edu

 <http://cooperatives.tamu.edu>

 <http://www.linkedin.com/in/jlpark>

 @johnlpark